

Minutes of Meeting
Health Services Council
Project Review Committee-II

DATE: 22 July 2004 TIME: 3:00 PM

LOCATION: Health Policy Forum

ATTENDANCE:

Committee II: Present: Victoria Almeida, Daniel F. McKinnon (Chair), Denise Panichas, Robert J. Quigley (Vice Chair), DC, Reverend David Shire

Not Present: Raymond C. Coia, James Daley, Rosemary Booth Gallogly, Wallace Gernt, Maria R. Gil, Catherine E. Graziano, Larry Ross

Other Members: Present: Robert L. Bernstein

Staff: Valentina D. Adamova, Michael K. Dexter

Public: (see attached)

1. Call to Order and Approval of Minutes

The meeting was called to order at 3:05 PM. The minutes of 4 March 2004 PRC-II meeting were approved as submitted. Staff noted that conflict of interest forms are available to any member who may have a conflict.

2. General Order of Business

The first item on the agenda was the application of Tender Loving Care Health Care Services of New England, LLC; TLC Health Care Services, Inc.; TLC Holdings I Corp.; TLC Investment Management, LLC for a change in effective control of Tender Loving Care Home Care Services, Inc. d/b/a Staff Builders Home Care Services located at 380 Broadway in Providence. Staff noted that this application is before the Committee pursuant to a Chapter 11 Bankruptcy of Tender Loving Care and their previous parent Med Diversified. Staff noted that this application was in front of the Committee two years ago and no action was taken at that time. Staff stated that Med Diversified and Tender Loving Care went into Chapter 11 Bankruptcy and proceeded through the courts.

Mr. Zubiago, legal counsel to the applicant, introduced Ms. Wyman, President of Trupman Associates, Inc., which has a franchise relationship with the licensed entity and will continue to do so if the CEC is approved. Next, he introduced Mr. Perry, a consultant with Crescent Capital, which is the company that provides financing for

this arrangement. He stated that if this application is approved Mr. Perry would become the President and CEO of Tender Loving Care Health Care Services of New England, LLC (“TLC of NE”), which will be the entity that will hold the license for the Rhode Island facility.

Staff noted for the record the Rhode Island facility is currently licensed as a home nursing care provider agency and that the proposed licensee would maintain that license if approved. Mr. Zubiago agreed with that statement. He noted that Mr. Crosland, principal of Crescent Capital, is expected to attend this meeting.

Ms. Wyman presented a Power Point presentation. She stated that Tender Loving Care (“TLC”) has been in operations in RI for over 15 years, providing home nursing care services. She stated that last year TLC made 17,500 skilled visits and 84,400 hours of private duty nursing to technology dependent children and elderly.

Mr. Zubiago discussed the applicant’s organization chart. He stated that Mr. Perry would be the President of TLC of NE, which would be the license holder. He stated that TLC of NE has a contract with Trupman Associates, Inc. to provide day-to-day services. He noted that TLC Health Care Services, Inc. is the parent of the TLC of NE. He stated that TLC Holdings I Corp is the parent of TLC Health Care Services, Inc. and was the successfully bidder in the bankruptcy proceedings of Tender Loving Care Home Care Services, Inc. d/b/a Staff Builders Home Care Services. He stated that certain financial

investors own TLC Holdings I Corp. He stated that Mr. Crosland and Mr. Ogburn, both principals of Crescent Capital, own TLC Investment Management, LLC. He stated that the proxy arrangement is to make sure that individuals located in the United States hold the voting control over the top of these entities.

Mr. Perry stated that TLC of NE is the owned by TLC Health Care Services, which was the parent company that was bought from Med Diversified. He noted that TLC of NE would continue its relationship with Trupman Associates, Inc. owned by Ms. Wyman. He stated that there will not be any changes at any of the 65 facilities.

Staff requested that the applicant address the capabilities of TLC to continue to operate these facilities. Mr. Perry stated that just as in Rhode Island, all the other facilities have undergone the same process. He stated that during bankruptcy the company had a positive cash flow. He noted that the company will have access to working capital through Crescent Capital and is fiscally sound, well run and managed. He stated that Crescent Capital, as evident through the proxy, would only be involved as a financial advisor.

Dr. Quigley requested that the applicant provide information for the proposed Medical Director, including detailing his responsibilities.

Ms. Panichas requested that the applicant provide survey information concerning the status of the facilities in other states. Mr. Perry stated

that he would provide the survey information from other states and that to his knowledge there has been no complaints from other states.

Mr. Shire requested that the applicant identify the issues that led to the Chapter 11 Bankruptcy. Mr. Perry stated that funding was cut off to the company, which forced into Chapter 11 Bankruptcy. He stated that the funding company had issues with their audit report and had their own funding cut off and had no money to loan out to the providers. Mr. Zubiago noted that the entity that started these financial issues was not the existing owner but was rather their bank.

Dr. Quigley requested that the applicant identify how much of the equity from the transaction would be allocated to the Rhode Island facility. Mr. Crosland stated that there is \$80 million in equity and that total transaction cost is approximately \$147 million. Mr. Perry stated that the money would be held at the corporation level and not as the individual entity. Staff stated that in national acquisition the Committee requests that the applicant identify the value of the Rhode Island facility within the scope of the total transaction cost.

Dr. Quigley requested that the applicant provide to the Committee contact information for the chain of command and address the issue of charity care.

Mr. Crosland continued with the Power Point presentation and state

that Crescent Capital is a private equity firm with \$1 billion balance sheet and \$300 million in cash. He stated it is in the business of buying attractive investments and building those businesses successfully. He noted that Crescent Capital is based in Atlanta and invests in a broad group of industries on behalf of foreign investors with a history of focusing in the health care area through businesses that help the health care industry be more efficient. He noted that Crescent Capital would not be involved as operators and is backing this management team based on the existing strength of their operating abilities. He noted that the proxy arrangement with TLC Investment Management, LLC, owned by Mr. Crosland himself and Mr. Ogburn, is to guide the business at the Board level and have the control located in the US.

Staff stated that the 30-day comment period begins 22 July 2004 and this project cannot go to the Health Services Council before 22 August 2004.

The next item on the agenda was the application of The Providence Community Health Centers, Inc. for initial licensure of an Organized Ambulatory Care Facility located at 557 Broad Street in Providence.

Ms. Ghazal, representative of the The Providence Community Health Centers (“PCHC”), stated that PCHC is the largest primary healthcare provider in the city of Providence. She noted that it operates 5 clinics,

and recently received licensure for a STD clinic and the proposed dental clinic will be housed in the same area. She stated that PCHC operated a dental clinic 5 years ago that was closed due to insufficient finances and that PCHC plans on going after grants to balance out deficits for the proposed facility. She stated that the applicant is working on hiring a dentist and would have two full time fourth year dentists from Boston University's dental school working at the proposed facility. She stated that the facility plans to focus on providing dental services to children covered by Medicaid and would not refuse anyone who is a registered patient any of PCHC's clinics.

Dr. Quigley requested that the applicant provide to the Committee the information on the proposed dentist and a copy of the agreement with Boston University's dental school.

To the question as to why the proposed facility's budget includes student housing worth \$14,400 a year, Ms. Ghazal stated that this is a standard agreement requirement of Boston University's dental school. To the question of how the proposed facility would coordinate with primary patient care facilities; Ms. Ghazal stated that all the facilities would be on the same computer system. To questions regarding competition, Ms. Ghazal stated that there are only 3 other dental providers and schools based services only provide screenings. She stated that school nurses would be a major referral source. She stated that PCHC services 30,000 patients, approximately 1 in 6 of Providence residents.

Staff noted that an advisory from the Office of Facilities Regulations stated that all the PCHC's facilities have a good regulatory compliance history.

A motion was made, seconded and passed by a vote of five in favor, and none opposed (5-0), to recommend that the application be approved to go before a full council pending receipt of the request information and subject to no adverse comments throughout the remainder of the comment period.

The next item on the agenda was the application of Cowesett Home Care, Inc. for initial licensure of a Home Care Provider Agency located at 297 Cowesett Avenue in West Warwick. Staff noted that an advisory from the Office of Facilities Regulations stated that this entity has no past history with Facilities Regulations and it is noted that 2 of the 3 owners, one of which was also appointed Administrator/Nursing Supervisor have some home care experience, which would be beneficial in operating a home care agency.

Mr. Chase-Lubitz, legal counsel to the applicant, presented Mr. Bucci, President of Cowesett Home Care, Inc., Ms. Ellison, the proposed administrator and Ms. Forman, owner and proposed financial administrator. Mr. Bucci stated that the proposed facility would provide services in the Kent County area. He stated that he has a

business background and Ms. Ellison has over 10 years of nursing home care experience.

Ms. Ellison stated that she has been a registered nurse for past 11 years, and worked in critical care settings and was an administrator of Coventry Home Care.

To the question regarding any issues with her license, Ms. Ellison stated that her license is in good standing.

A motion was made, seconded and passed by a vote of five in favor, and none opposed (5-0), to recommend that the application be approved to go before a full council subject to no adverse comments throughout the remainder of the comment period.

The next item on the agenda was the application of Enable Home Care Services, Inc. for initial licensure of a Home Care Provider Agency located at 1441 Park Avenue in Cranston. Staff stated that an advisory from the Office of Facilities Regulations stated that the owners have no clinical experience but have appointed a Nursing Supervisor in accordance with Section 12.24 of the HCP regulations and that one of the owners and the nursing supervisor have had past home care experience which should be beneficial in opening an agency.

Mr. Jalette stated that he doesn't have any healthcare experience and that Ms. Alexander is an excellent RN. Dr. Quigley inquired as to what would be Mr. Jalette's position within the proposed facility. Mr. Jalette stated that he would be the Executive Director and own half of the company. He stated that Ms. Ciampanelli would be the proposed administrator and Ms. Alexander would be the Director of Nursing Services.

To the question concerning the status of her nursing license, Ms. Alexander stated that it is in good standing. To the question concerning her current employment, Ms. Alexander stated that she left Home Healthcare Services to avoid a conflict of interest because of the proposed facility.

Mr. Shire inquired as to process used to calculate the proposed payroll. Mr. Jalette stated that he used a base pay of \$10 an hour for 20 people working 20 hours a week. Mr. Shire noted that Appendix A #2 requests identification of full time equivalence and not part time of 20 hours a week. Mr. Jalette stated that he didn't have access to the appropriate reimbursement numbers and calculated the payroll based 20-hour workweek.

Mr. Bernstein inquired as to why Mr. Jalette would be interested into entering into this business. Mr. Jalette stated that he has respect for Ms. Alexander's work and clients would benefit from her services. Ms. Panichas requested that the applicant provide a business plan that

would address issues such as quality assurance and quality of care. Staff suggested that the applicant specifically address question #20 in the application and put together the policies and procedures and have an accountant present and an attestation from that accountant concerning the proposal.

There being no further business the meeting was adjourned at 4:30 PM.

Respectfully submitted,

Valentina D. Adamova